

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 and 2010**

**David A. O'Dell, CPA, LLC**  
**Certified Public Accountant**  
**McPherson, Kansas 67460**

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2011**

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**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2011**

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McPherson Opera House, Level 3  
223 S. Main St.  
Post Office Box 1032  
McPherson, KS 67460



PHONE 620.241.0111  
FAX 620.241.3927  
EMAIL [cpa7@sbcglobal.net](mailto:cpa7@sbcglobal.net)  
WEB [www.cpa7.com](http://www.cpa7.com)

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Little River, Kansas

I have audited the accompanying financial statements of the City of Little River, Kansas, as of and for the year ended December 31, 2011 and 2010 and the individual fund financial statements of the City as of and for the year ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

As described in Note 1, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, because of the City's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the City as of December 31, 2011 and 2010, or the results of its operations, or the cash flows of its proprietary fund types for the year then ended.

However, in my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City as of December 31, 2011 and 2010, and its cash receipts and expenditures, for the year then ended on the basis of accounting described in Note 1. The individual fund financial statements as of and for the year ended December 31, 2011 and 2010, present fairly, in all material respects, the unencumbered cash balances, cash receipts and expenditures on the basis of accounting described in Note 1.

July 23, 2012  
McPherson, Kansas



CITY OF LITTLE RIVER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL OPERATING FUND:							
General Operating Fund	\$ 145,801	\$ -	\$ 250,019	\$ 166,987	\$ 228,833	\$ 26,290	\$ 255,123
SPECIAL REVENUE FUNDS:							
Library Fund	-	-	8,396	8,396	-	-	-
Employee Benefit Fund	2,708	-	9,935	12,140	503	-	503
Special Highway Fund	-	-	14,067	-	14,067	-	14,067
Fire Department Fund	12,952	-	1,089	254	13,787	-	13,787
Total Special Revenue Funds	15,660	-	33,487	20,790	28,357	-	28,357
CAPITAL PROJECTS FUNDS:							
Municipal Equipment Reserve Fund	20,000	-	10,000	20,000	10,000	-	10,000
Capital Improvements Reserve Fund	-	-	-	-	-	-	-
Water System Improvement Fund	-	-	861,166	861,166	-	-	-
Total Capital Project Funds	20,000	-	871,166	881,166	10,000	-	10,000
ENTERPRISE FUNDS:							
Gas Utility Fund	81,581	-	221,642	216,810	86,413	40,551	126,964
Water Utility Fund	122,907	-	222,402	183,210	162,099	88,508	250,607
Sewer Utility Fund	33,667	-	67,361	56,051	44,977	22,433	67,410
Solid Waste Fund	13,432	-	27,428	26,828	14,032	2,200	16,232
Total Enterprise Funds	251,587	-	538,833	482,899	307,521	153,692	461,213
Total Primary Government	433,048	-	1,693,505	1,551,842	574,711	179,982	754,693
COMPONENT UNIT:							
Library Board	21,176	-	20,791	20,685	21,282	-	21,282
Total Reporting Entity (Excluding Agency Funds)	\$ 454,224	\$ -	\$ 1,714,296	\$ 1,572,527	\$ 595,993	\$ 179,982	\$ 775,975

The notes to the financial statements are an integral part of this statement.

CITY OF LITTLE RIVER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
For the Year Ended December 31, 2011

STATEMENT 1  
Page 2 of 2

COMPOSITION OF CASH:	
Checking Accounts - City Clerk	\$ 465,609
Certificates of Deposit - City Clerk	275,297
Checking and Savings - Fire Department	13,787
Total Cash - Primary Government (Excluding Agency Funds)	754,693
Checking Accounts - Component Unit	21,282
Total Cash - Component Units	21,282
Total Reporting Entity (Excluding Agency Funds)	\$ 775,975

## CITY OF LITTLE RIVER, KANSAS

(Budgeted Funds Only)

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

For the Year Ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable (Unfavorable)</u>
GENERAL OPERATING FUND					
General Operating Fund	\$ 406,049	\$ -	\$ 406,049	\$ 166,987	\$ 239,062
SPECIAL REVENUE FUNDS:					
Library Fund	8,500	-	8,500	8,396	104
Employee Benefit Fund	13,000	-	13,000	12,140	860
Special Highway Fund	14,830		14,830	-	14,830
ENTERPRISE FUNDS:					
Gas Utility Fund	383,525	-	383,525	216,810	166,715
Water Utility Fund	313,426	-	313,426	183,210	130,216
Sewer Utility Fund	110,079	-	110,079	56,051	54,028
Solid Waste Fund	41,527	-	41,527	26,828	14,699

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS  
GENERAL OPERATING FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Taxes -				
Current Tax	\$ 62,592	\$ 72,786	\$ 75,182	\$ (2,396)
Delinquent Tax	3,179	3,875	-	3,875
Motor Vehicle Tax	16,843	17,497	18,533	(1,036)
Recreational Vehicle Tax	303	307	217	90
16/20M Vehicle Tax	152	138	172	(34)
Rural Development Grant	-	22,500	-	22,500
Rural Development Loan	-	42,000	-	42,000
Health and Environment KDHE	-	-	4,000	(4,000)
Sales Tax	30,119	34,575	40,000	(5,425)
Compensating Use Tax	5,616	8,605	-	8,605
Licenses, Permits, and Fees -				
Franchise	14,117	14,794	12,000	2,794
Dog Licenses	1,596	1,326	1,000	326
Building Permits	80	110	500	(390)
Fines	2,689	5,520	3,900	1,620
Interest Income	3,274	2,257	5,000	(2,743)
Utility Penalties Collected	5,783	5,487	-	5,487
Miscellaneous Income	2,750	3,242	5,500	(2,258)
Transfers In -				
Gas Utility Fund	-	5,000	5,000	-
Water Utility Fund	-	10,000	10,000	-
Total Cash Receipts	149,093	250,019	\$ 181,004	\$ 69,015
Expenditures:				
General Government -				
Personal Services	30,175	30,231	\$ 38,000	\$ 7,769
Contractual	40,760	27,860	27,000	(860)
Commodities	12,670	30,172	15,000	(15,172)
Capital Outlay	59,314	-	226,444	226,444
Debt Service Payments Principal	-	749	1,425	676
Debt Service Payments Interest	-	1,680	1,680	-
Public Safety -				
Personal Services	41,891	42,034	43,000	966
Contractual	-	7,786	-	(7,786)
Commodities	2,598	-	-	-
Capital Outlay	107	308	-	(308)
Street Lights	8,403	8,921	-	(8,921)
Streets	29,925	4,016	42,000	37,984

CITY OF LITTLE RIVER, KANSAS  
GENERAL OPERATING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
For the Year Ended December 31, 2011  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Expenditures (Continued):				
Parks and Recreation	132	806	1,500	694
Appropriations -				
Library	-	352	-	(352)
Historical Library	593	67	-	(67)
Transfer Out -				
Equipment Reserve	-	10,000	10,000	-
Other -				
Dump	65	158	-	(158)
Sidewalk	-	151	-	(151)
Other	4,185	1,696	-	(1,696)
Total Expenditures	230,818	166,987	\$ 406,049	\$ 239,062
Receipts Over (Under) Expenditures	(81,725)	83,032		
Unencumbered Cash, Beginning	227,526	145,801		
Unencumbered Cash, Ending	\$ 145,801	\$ 228,833		



**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - LIBRARY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Ad Valorem Taxes -				
Current Tax	\$ 6,051	\$ 6,275	\$ 6,589	\$ (314)
Delinquent Tax	324	390	-	390
Motor Vehicle Tax	1,612	1,688	1,791	(103)
Recreational Vehicle Tax	29	30	21	9
16/20M Vehicle Tax	-	13	17	(4)
Total Cash Receipts	8,016	8,396	<u>\$ 8,418</u>	<u>\$ (22)</u>
Expenditures:				
Library Board	8,342	8,396	<u>\$ 8,500</u>	<u>\$ 104</u>
Receipts Under Expenditures	(326)	-		
Unencumbered Cash, Beginning	326	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - EMPLOYEE BENEFIT FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**  
**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		<b>Current Year</b>		
	<b>Prior Year Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance- Favorable (Unfavorable)</b>
Cash Receipts:				
Ad Valorem Taxes -				
Current Tax	\$ 11,334	\$ 6,094	\$ 6,410	\$ (316)
Delinquent Tax	539	627	-	627
Motor Vehicle Tax	2,665	3,138	3,356	(218)
Recreational Vehicle Tax	48	54	39	15
16/20M Vehicle Tax	-	22	31	(9)
Total Cash Receipts	14,586	9,935	<u>\$ 9,836</u>	<u>\$ 99</u>
Expenditures:				
FICA and Medicare	4,825	4,404	\$ -	\$ (4,404)
KPERS	3,408	2,926	4,000	1,074
Unemployment	-	-	-	-
Workers Compensation Policy	6,353	4,810	9,000	4,190
Total Expenditures	14,586	12,140	<u>\$ 13,000</u>	<u>\$ 860</u>
<b>Receipts Over (Under) Expenditures</b>	-	(2,205)		
<b>Unencumbered Cash, Beginning</b>	<u>2,708</u>	<u>2,708</u>		
<b>Unencumbered Cash, Ending</b>	<u>\$ 2,708</u>	<u>\$ 503</u>		

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - SPECIAL HIGHWAY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts:				
State of Kansas - Fuel Tax	\$ 13,953	\$ 14,067	\$ 14,150	\$ (83)
Expenditures:				
Contractual	13,953	-	\$ 14,830	\$ 14,830
<b>Receipts Over (Under) Expenditures</b>	-	14,067		
<b>Unencumbered Cash, Beginning</b>	-	-		
<b>Unencumbered Cash, Ending</b>	\$ -	\$ 14,067		

**CITY OF LITTLE RIVER, KANSAS**  
**SPECIAL REVENUE FUND - FIRE DEPARTMENT FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2011**  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
City of Little River - Meetings	\$ 490	\$ 525
Interest	73	564
Total Cash Receipts	563	1,089
Expenditures:		
Contractual	50	254
<b>Receipts Over (Under) Expenditures</b>	513	835
<b>Unencumbered Cash, Beginning</b>	12,439	12,952
<b>Unencumbered Cash, Ending</b>	<u>\$ 12,952</u>	<u>\$ 13,787</u>

**CITY OF LITTLE RIVER, KANSAS**  
**CAPITAL PROJECT FUND - MUNICIPAL EQUIPMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2011**  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
Transfer from General Fund	\$           -	\$   10,000
Expenditures:		
Commodities	<u>                  -</u>	<u>          20,000</u>
<b>Receipts Over (Under) Expenditures</b>	-	(10,000)
<b>Unencumbered Cash, Beginning</b>	<u>          20,000</u>	<u>          20,000</u>
<b>Unencumbered Cash, Ending</b>	<u><u>          \$   20,000</u></u>	<u><u>          \$   10,000</u></u>



**CITY OF LITTLE RIVER, KANSAS**  
**CAPITAL PROJECTS FUND - CAPITAL IMPROVEMENTS RESERVE FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:	\$ -	\$ -
Expenditures:	<u>-</u>	<u>-</u>
<b>Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash, Beginning</b>	<u>-</u>	<u>-</u>
<b>Unencumbered Cash, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS**  
**CAPITAL PROJECTS FUND - WATER SYSTEM IMPROVEMENT FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2011**  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts:		
Housing and Urban Development CDBG Grant	\$	\$ 443,931
Kansas Department of Health and Environment Loan	-	417,235
	<u>-</u>	<u>861,166</u>
Total Cash Receipts	-	861,166
Expenditures:		
	<u>-</u>	<u>861,166</u>
<b>Receipts Over (Under) Expenditures</b>	-	-
<b>Unencumbered Cash, Beginning</b>	<u>-</u>	<u>-</u>
<b>Unencumbered Cash, Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - GAS UTILITY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 247,769	\$ 215,429	\$ 285,000	\$ (69,571)
Turn On Fees	1,450	1,660	2,500	(840)
Sales Tax	3,191	2,924	4,500	(1,576)
Other	176	1,629	2,500	(871)
Total Cash Receipts	252,586	221,642	\$ 294,500	\$ (72,858)
Expenditures:				
Personal services	30,672	36,219	\$ 29,700	\$ (6,519)
Contractual	61,245	31,708	56,000	24,292
Commodities	137,925	124,994	180,000	55,006
Capital Outlay	-	15,536	108,315	92,779
Sales Tax	3,138	2,865	4,400	1,535
Other	50	488	110	(378)
Transfers to General Fund	-	5,000	5,000	-
Total Expenditures	233,030	216,810	\$ 383,525	\$ 166,715
Receipts Under Expenditures	19,556	4,832		
Unencumbered Cash, Beginning	62,025	81,581		
Unencumbered Cash, Ending	\$ 81,581	\$ 86,413		

**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - WATER UTILITY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

		<b>Current Year</b>		
	<b>Prior Year Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance- Favorable (Unfavorable)</b>
Cash Receipts:				
Charges for services	\$ 107,707	\$ 152,615	\$ 115,000	\$ 37,615
Turn On Fees	1,640	1,786	19,000	(17,214)
KDHE Loan Proceeds	-	65,000	-	65,000
Water Protection Fee	1,005	914	900	14
Sales Tax	410	595	500	95
Reimbursed Expenses	12	1,492	300	1,192
Total Cash Receipts	110,774	222,402	\$ 135,700	\$ 86,702
Expenditures:				
Personal services	46,674	41,147	\$ 52,400	\$ 11,253
Contractual	40,338	25,153	26,000	847
Commodities	12,610	18,015	12,000	(6,015)
Capital Outlay	65,000	65,000	172,540	107,540
Debt Service	-	18,493	36,986	18,493
Sales Tax	422	631	500	(131)
Other	2,149	4,771	3,000	(1,771)
Transfer Out - General Operating Fund	-	10,000	10,000	-
Total Expenditures	167,193	183,210	\$ 313,426	\$ 130,216
Receipts Over Expenditures	(56,419)	39,192		
Unencumbered Cash, Beginning	179,326	122,907		
Unencumbered Cash, Ending	\$ 122,907	\$ 162,099		

**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - SEWER UTILITY FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance- Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts:				
Charges for services	\$ 62,069	\$ 67,361	\$ 65,000	\$ 2,361
Other	225	-	-	-
Total Cash Receipts	62,294	67,361	\$ 65,000	\$ 2,361
Expenditures:				
Personal services	29,087	24,129	\$ 27,000	\$ 2,871
Contractual	32,587	14,168	23,000	8,832
Commodities	2,732	5,495	4,500	(995)
Capital Outlay	-	-	43,320	43,320
Other	-	-	-	-
Debt Service	12,259	12,259	12,259	-
Total Expenditures	76,665	56,051	\$ 110,079	\$ 54,028
Receipts Over (Under) Expenditures	(14,371)	11,310		
Unencumbered Cash, Beginning	48,038	33,667		
Unencumbered Cash, Ending	\$ 33,667	\$ 44,977		

The notes to the financial statements are an integral part of this statement.



**CITY OF LITTLE RIVER, KANSAS**  
**ENTERPRISE FUND - SOLID WASTE FUND**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance- Favorable (Unfavorable)
Cash Receipts:				
Charges for services	\$ 27,575	\$ 27,428	\$ 28,000	\$ (572)
Expenditures:				
Contractual	26,670	26,828	\$ 41,527	\$ 14,699
<b>Receipts Over Expenditures</b>	905	600		
<b>Unencumbered Cash, Beginning</b>	12,527	13,432		
<b>Unencumbered Cash, Ending</b>	\$ 13,432	\$ 14,032		

## CITY OF LITTLE RIVER, KANSAS

STATEMENT OF CHANGES IN LONG-TERM DEBT  
For the Year Ended December 31, 2011

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Note Payable: KDHE Sewer System	2.75%	9/1/2006	\$ 190,383	3/1/2026	\$ 153,866	- \$	8,083	(8,083)	\$ 145,783	\$ 4,394
KDHE Water System	3.32%	8/18/2011	\$ 520,840	2/1/2031	-	482,235	17,026	465,209	\$ 465,209	\$ 1,467
General Obligation Bond: Series 2011 General Obligation	4.00%	1/21/2011	\$ 42,000	1/21/2041	- \$	42,000	749	41,251	\$ 41,251	\$ 1,680

## CITY OF LITTLE RIVER, KANSAS

SCHEDULE OF MATURITY OF LONG-TERM DEBT  
For the Year Ended December 31, 2011

	YEAR										Total
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2032	2033-2038	2039-2041	
PRINCIPAL											
Note Payable: KDHE - Sewer Revenues	\$ 8,307	\$ 8,537	\$ 8,774	\$ 9,016	\$ 9,267	\$ 50,324	\$ 51,558	\$ -	\$ -	\$ -	\$ 145,783
KDHE Water System	\$ 21,005	\$ 18,113	\$ 18,784	\$ 19,480	\$ 20,202	\$ 112,800	\$ 135,295	\$ 119,530	\$ -	\$ -	\$ 465,209
General Obligation Bond: Series 2011 General Obligation	\$ 779	\$ 810	\$ 842	\$ 876	\$ 911	\$ 5,131	\$ 6,245	\$ 7,598	\$ 9,243	\$ 8,816	\$ 41,251
INTEREST											
Note Payable: KDHE - Sewer Revenues	\$ 3,952	\$ 3,722	\$ 3,485	\$ 3,243	\$ 2,992	\$ 10,973	\$ 3,609	\$ -	\$ -	\$ -	\$ 31,976
KDHE Water System	\$ 15,075	\$ 17,061	\$ 16,363	\$ 15,694	\$ 14,973	\$ 63,072	\$ 40,577	\$ 13,597	\$ -	\$ -	\$ 196,412
General Obligation Bond: Series 2011 General Obligation	\$ 1,650	\$ 1,619	\$ 1,587	\$ 1,553	\$ 1,518	\$ 7,014	\$ 5,900	\$ 4,547	\$ 2,902	\$ 898	\$ 29,188
TOTAL PRINCIPAL AND INTEREST	\$ 50,768	\$ 49,862	\$ 49,835	\$ 49,862	\$ 49,863	\$ 249,314	\$ 243,184	\$ 145,272	\$ 12,145	\$ 9,714	\$ 909,819

The notes to the financial statements are an integral part of this statement.

**CITY OF LITTLE RIVER, KANSAS**  
**DISCRETELY PRESENTED COMPONENT UNIT - LIBRARY BOARD**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL**  
**For the Year Ended December 31, 2011**

(With Comparative Actual Totals for the Prior Year Ended December 31, 2010)

	Prior Year Actual	Current Year Actual
Cash Receipts:		
City of Little River	\$ 8,343	\$ 8,396
Grants	3,830	1,926
South Central Kansas Library System	4,314	5,490
Union Township	300	3,200
Rockville Township	2,100	600
State of Kansas	399	352
Donations	1,115	295
Interest	22	17
Miscellaneous	1,032	515
	<hr/>	<hr/>
Total Cash Receipts	21,455	20,791
	<hr/>	<hr/>
Expenditures:		
Personal Services	11,159	12,141
Books and Magazines	3,563	2,206
Meeting and Travel	770	84
Phone and Internet	989	909
Postage	559	550
Summer Reading	753	424
Supplies	3,242	1,277
Equipment Purchased	1,945	2,537
Miscellaneous	699	347
Repairs and Maintenance	-	210
	<hr/>	<hr/>
Total Expenditures	23,679	20,685
	<hr/>	<hr/>
Receipts Over Expenditures	(2,224)	106
	<hr/>	<hr/>
Unencumbered Cash, Beginning	23,400	21,176
	<hr/>	<hr/>
Unencumbered Cash, Ending	\$ 21,176	\$ 21,282
	<hr/>	<hr/>

**CITY OF LITTLE RIVER, KANSAS  
AGENCY FUNDS**

**STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
For the Year Ended December 31, 2011**

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Clutter Hill	\$ <u>30,049</u>	\$ <u>15,494</u>	\$ <u>45,543</u>	\$ <u>0</u>

**CITY OF LITTLE RIVER, KANSAS**  
**NOTES TO SPECIAL FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***(a) Financial Reporting Entity***

The City of Little River is a municipal corporation governed by an elected six-member council. These financial statements present the City of Little River (the primary government) and its component unit. The component unit is included in the city's reporting entity because of the significance of its operational and financial relationship with the city.

Discretely Presented Component Unit - The component units section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the city. The governing body is appointed by the city.

Library Board - The City of Little River Library Board operates the city's public library. Acquisition or disposition of real property by the board must be approved by the city. Bond issuances must also be approved by the city. The governing body is appointed by the city.

Fireman's Relief Association - The Association is not a component unit because the city exercises no oversight responsibility and has no accountability for its fiscal matters. The Firemen's Relief Association provides insurance and other benefits to firemen. The association's board consists of firefighters elected by popular vote. Kansas statutes provide for funding.

***(b) Basis of Presentation - Fund Accounting***

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for separately. Funds are classified into three categories: governmental, proprietary and fiduciary. Within each of these three categories there are one or more fund types. The city used the following fund types:

**Governmental Fund Types**

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Operating Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Funds - These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds and Special Assessment Funds.

Capital Project Funds - These funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by Proprietary and Trust funds.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **Proprietary Fund Types**

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds and Internal Service Funds.

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal service Funds - These funds are established to account for the financing of goods or services provided by one department or other departments of the City on a mostly cost-reimbursement basis.

### **Fiduciary Fund Types**

These funds account for assets held by the City as a trustee or agent for individuals, private organizations and other units of governments. These funds are as follows:

Expendable Trust Funds - These funds are used to account for funds that are to be used for expenditures incurred by City employees and for funds held in escrow for other parties.

Agency Funds - These funds are used to account for assets received for, held for, and disbursed to individuals, other State and Local Government unit funds or other governmental or private sector organizations.

### ***(c) Basis of Accounting***

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

### ***(d) Departure from Generally Accepted Accounting Principles***

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance: encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, building and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### ***(e) Budget and Tax Cycle***

Kansas statutes require that an annual operating budget be legally adopted for the General Operating Fund, Special Revenue Funds (unless specifically exempted by statute), Debt Service Funds and Enterprise Funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.

A legal operating budget is not required for Capital Project Funds and Agency Funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

### ***(f) Special Assessments***

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the Bond and Interest Fund.

### ***(g) Subsequent Events***

Subsequent events have been evaluated through July 23, 2012, which is the date the audited financial statements were available to be issued.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***Compliance with Kansas Statutes***

There were no statutory violations noted in 2011.

### 3. CASH AND INVESTMENTS

#### **(a) Deposits**

At December 31, 2011, the carrying amount of the City and its component unit deposits, including certificates of deposit, was \$775,975. The bank balance was \$789,982. The difference between the carrying amount and the bank balance is checks outstanding and deposits in transit. Of the bank balance \$250,000 was covered by FDIC insurance and the remaining \$525,975 was collateralized by pledged securities held under safekeeping receipts issued by a third-party bank in the bank's name with the City listed as pledgee and deposit surety bonds.

#### **(b) Investments**

Kansas statutes authorize the City to invest in U.S. Treasury Bills and Notes, repurchase agreements, and the Kansas Municipal Investment Pool. All investments must be insured, registered, or held by the City or its agent in the City's name. The Kansas Municipal Investment Pool is not subject to the risk category classifications. The City had no investments at December 31, 2011.

### 4. PENSION COSTS AND EMPLOYEE BENEFITS

#### **(a) Defined Benefit Pension Plan**

*Plan Description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200; Topeka, KS 66603-3925) or by calling 1-800-228-0366.

*Funding Policy.* K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for tier 1 employees and 6% for tier 2 employees. Tier two became effective July 1, 2009. . The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2010 is 6.74%. The City employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$ 8,843, \$8,301, and \$8,988, respectively, equal to the statutory required contributions for each year.

#### **(b) Other Employee Benefits**

Vacation – Full-time employees are entitled to paid vacation leave time according to the following schedule: provided, no paid vacation leave time may be taken during the first twelve months of employment with no carry over from year to year.

<u>Years of Service</u>	<u>Per Year</u>
After 1 Year Continuous Employment	5 Days
After 2 Years Continuous Employment	10 Days
After 3 Years Continuous Employment	15 Days

All vacation was used as of December 31, 2011.

Sick leave – Full-time employees, shall be entitled to sick leave with pay for absences resulting from illness, injuries, accidents or other physical incapacity, occurring either on or off the job.

Amount of sick leave – Full-time employees shall earn eight hours of sick leave for each full month of service.



Accumulation of sick leave – No employee may accrue more than 480 hours of sick leave. An employee shall not be paid for any unused sick leave upon termination of his or her employment with the City.

## 5. CLAIMS AND JUDGMENTS

The City is exposed to various risks of loss related to property loss, torts, and errors and omissions. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage in 2011 and there were no settlements that exceeded insurance coverage in 2011.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is of the opinion of the City's management that these matters are not anticipated to have a material impact on the City.

## 6. INTERFUND TRANSFERS

From	To	Statutory Authority	Amount
Gas Utility Fund	General Fund	K.S.A 12-630a	\$ 5,000
Water Utility Fund	General Fund	K.S.A 12-630a	10,000

## 7. CAPITAL PROJECTS

Capital Project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable
<b>Water Fund</b>		
Water System Improvement	\$ 999,558	\$ 861,166
Water Fund		<u>65,000</u>
Total Disbursement		\$ 926,166

The Water System Improvement project was completed during 2012 with the final payment occurring on June 12, 2012. Total payments on the project were \$1,005,960.